

AMENDED IN SENATE APRIL 21, 2015

SENATE BILL

No. 638

Introduced by Senator Stone

February 27, 2015

An act to amend Sections 4629.7, 4681.1, 4681.6, 4689.8, 4691.9, and 4860 of, and to add Sections 4519.8, 4681.2, 4690.7, 4793, and 4794 to, the Welfare and Institutions Code, relating to developmental services.

LEGISLATIVE COUNSEL'S DIGEST

SB 638, as amended, Stone. Developmental services: funding.

The Lanterman Developmental Disabilities Services Act requires the State Department of Developmental Services to contract with regional centers to provide services and supports to individuals with developmental disabilities. Under existing law, the regional centers purchase needed services for individuals with developmental disabilities through approved service providers or arrange for those services through other publicly funded agencies.

This bill would require the department to submit a plan to the Legislature by August 1, 2016, to ensure the sustainability, quality, and transparency of community-based services for individuals with developmental disabilities. The bill would require the department to regularly consult with stakeholders in developing the plan and would require the plan to address specified topics, including, among others, recommendations for a comprehensive approach to funding regional center operations in a sustainable and transparent manner that ~~provides incentives for~~ *enables* regional centers to deliver high-quality services to consumers.

Existing law requires that contracts or agreements between regional centers and service providers in which the rates between the regional center and the service provider are determined through negotiations to ensure that not more than 15% of regional center funds be spent on administrative costs, as described.

This bill would instead provide that the percentage of the funds that may be spent on administrative costs varies depending on the total value, annually, of the ~~agreements between the regional center and each service provider~~. *payments received by a service provider from all regional centers.*

Existing law establishes specified rates to be paid to certain service providers and the rates to be paid for certain developmental services. Existing law requires that rates to be paid to other developmental service ~~provider~~ *providers* either be set by the department or negotiated between the regional center and the service provider. Existing law prohibits certain provider rate increases, but authorizes increases to those rates as necessary to adjust employee wages to meet the state minimum wage law.

This bill would increase the rates established by existing law, as specified, and would require an increase to the rates set by the department and the rates negotiated between regional centers and service providers, as specified. The bill would also require the department, when setting rates for community care facilities serving people with developmental disabilities, to ensure that the rates permit the viability of those facilities by establishing different rates for each facility size, as determined by the number of beds available, that reflect reasonable differences in the cost structure of facilities with differing numbers of beds. The bill would require the department to adopt emergency regulations implementing that provision by July 1, 2016.

Existing law requires each regional center to submit, on or before August 1 of each year, to the department and the State Council on Developmental Disabilities a program budget plan for the subsequent budget year. Existing law provides that, to the extent feasible, all funds appropriated for developmental disabilities programs be allocated to those programs by August 1 of each year and designates the department as the agency responsible for the processing, audit, and payment of funds made available to regional centers.

This bill would require the department to increase the funding paid to a regional center for the regional center's operating budget, beginning ~~January 1, 2016, by 5%~~ *July 1, 2015, by 10%* above the amount the

regional center otherwise would have received under the department's core staffing formula, and, beginning July 1, 2016, by 10% above the amount the regional center otherwise would have received under the department's core staffing ~~formula~~. *formula, plus a percentage equal to the percentage of any increase in the California Consumer Price Index since July 1, 2015.* The bill would also require the department to increase the funding provided to a regional center to enable the regional center and the regional center's purchase-of-service vendors to fund certain costs related to minimum wage requirements.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. (a) The Legislature finds and declares all of the
2 following:

3 (1) California's vision to promote fulfilling lives for persons
4 with developmental disabilities launched in 1969 with the passage
5 of the Lanterman Developmental Disabilities Services Act,
6 authored by Assembly Member Frank Lanterman and signed by
7 Governor Ronald Reagan. However, the Lanterman Act's vision
8 is now threatened by neglect of the community service system and
9 wasteful spending on outdated state institutions.

10 (2) The current funding system for regional center operations
11 and for community-based services is inadequate and outdated. The
12 funding currently provided has not kept pace with the cost of
13 delivering high-quality services. Funding formulas and ratesetting
14 methods are archaic and ill-suited to promote an effective and
15 efficient community system that delivers high-quality services to
16 consumers.

17 (3) The result of inadequate funding for community services
18 and onerous requirements on providers can be seen in the decline
19 of the number of vendors serving the community. As documented
20 in the January 2015 Fact Book issued by the State Department of
21 Developmental Services, the number of vendors declined by 30
22 percent from 2009–10 to 2013–14, ~~inclusive~~ *inclusive*, despite an
23 increase of 12 percent in the number of consumers served in the
24 community. *The Association of Regional Center Agencies also*
25 *reports that 435 licensed residential homes and 57 day and work*
26 *programs have closed since July 2011.*

1 (4) California must recommit itself to vibrant and sustainable
2 community services that maximize opportunities for persons with
3 developmental disabilities to thrive in their own neighborhoods.

4 (5) It is imperative that the Legislature take action to ensure the
5 viability of the community service system by paying sustainable
6 reimbursement rates, streamlining requirements for community
7 service providers, and fairly funding the regional center system to
8 administer services.

9 (b) Accordingly, it is the intent of the Legislature to enact
10 short-term increases in reimbursement rates for community services
11 providers while undertaking a stakeholder process with specific
12 deadlines to develop and implement long-term reforms to
13 accomplish these goals. It is also the intent of the Legislature to
14 establish requirements for greater regional center transparency
15 with respect to rates paid to vendors and the amount and type of
16 services provided to consumers across the spectrum of regional
17 center services. It is further the intent of the Legislature that the
18 provisions added by this act only remain in place until a revised,
19 comprehensive rate system that provides adequate and transparent
20 funding for community-based services, including supported
21 employment, is implemented.

22 SEC. 2. Section 4519.8 is added to the Welfare and Institutions
23 Code, immediately following Section 4519.7, to read:

24 4519.8. The department shall submit a plan to the Legislature
25 to ensure the sustainability, quality, and transparency of
26 community-based services for individuals with developmental
27 disabilities. The department shall regularly consult with
28 stakeholders in developing the plan. The department shall submit
29 the plan to the Legislature by August 1, 2016. The plan shall
30 include, but not be limited to, all of the following:

31 ~~(a) For each community services cost savings measure adopted~~
32 ~~through the budget process from 2008 through 2014, inclusive,~~
33 ~~that is still in effect as of July 1, 2015, an estimate of the savings~~
34 ~~generated and the number of program enrollees affected by that~~
35 ~~budget savings action. The plan shall recommend whether or not~~
36 ~~to continue implementing each savings measure.~~

37 ~~(b)~~

38 (a) An assessment of the effectiveness of the methods used to
39 pay each category of community service provider. This assessment

1 shall include *consideration* of the following ~~consideration~~ factors
2 for each ~~type~~ category of service provider:

3 (1) Whether the current method of ratesetting for a service
4 category is ensuring an adequate supply of providers in that
5 ~~category~~ category, including, but not limited to, whether there is
6 a sufficient supply of providers to enable a consumer to have a
7 choice of providers.

8 (2) ~~For service categories whose rates are not currently~~
9 ~~negotiated rates,~~ A comparison of the likely fiscal effects of shifting
10 the rate methodology to negotiated rates for that using the following
11 methodologies for each service provider ~~category~~ category:

12 (3) ~~Options for basing a portion of the reimbursement for a~~
13 ~~provider category on consumer satisfaction, as measured by~~
14 ~~surveys, consumer-generated ratings, or other recognized methods~~
15 ~~for measuring consumer satisfaction in a statistically representative~~
16 ~~manner.~~

17 (e)

18 (A) Negotiated rates, which may be limited to regional medians
19 or other limits.

20 (B) Rates established through regulations on either a statewide
21 or regionally adjusted basis.

22 (C) Alternate rate methodologies that may use combinations of
23 negotiated or regulatory rates on either a statewide or regionally
24 adjusted basis.

25 (b) An evaluation of the appropriateness of the number and type
26 of ~~billing~~ service codes for regional center services, including, but
27 not limited to, recommendations for making ~~billing~~ service codes
28 more reflective of the level and type of services ~~provided~~ provided
29 and for reducing the number and type of services that are billed
30 with a service code of "Miscellaneous."

31 (d)

32 (c) Recommendations for a comprehensive purchase-of-services
33 rate structure that would ensure a sustainable, high-quality, and
34 transparent community services system.

35 (e) ~~For regional center operations, an estimate of the median~~
36 ~~cost per consumer to staff each regional center at appropriate levels.~~

37 (f)

38 (d) An assessment of the adequacy of the number and locations
39 of regional centers for providing timely service to consumers. This

1 assessment shall ~~consider~~ *consider, at a minimum*, all of the
2 ~~following~~ *following* factors:

3 (1) The waiting time for consumers to obtain appointments with
4 regional center personnel.

5 (2) The distance consumers must travel for in-person meetings
6 with regional center personnel.

7 (3) The type and frequency of interactions between consumers
8 and regional center personnel that can be accommodated remotely
9 through electronic means, ~~including~~ *including, but not limited to*,
10 electronic mail, video conferencing, or telehealth.

11 (4) *Whether the number of consumers and the geographic size*
12 *of the catchment area served by each regional center are*
13 *reasonable for delivering high-quality service to consumers and*
14 *their families.*

15 ~~(4)~~

16 (5) Whether additional regional centers or regional center
17 locations are necessary to address any identified deficiencies in
18 access to regional center personnel, or whether technology-enabled
19 means of access or other solutions are warranted.

20 ~~(g) Development and evaluation of options for basing a portion~~
21 ~~of the funding for regional centers on consumer satisfaction, as~~
22 ~~measured by surveys, consumer-generated ratings, or other~~
23 ~~recognized methods for measuring consumer satisfaction in a~~
24 ~~statistically representative manner.~~

25 ~~(h)~~

26 (e) Recommendations for a comprehensive approach to funding
27 regional center operations in a sustainable and transparent manner
28 that ~~provides incentives for~~ *enables* regional centers to deliver
29 high-quality services to their ~~consumers~~ *consumers, including,*
30 *but not limited to, recommendations and estimated costs for*
31 *increasing the number of regional centers or altering catchment*
32 *areas.*

33 SEC. 3. Section 4629.7 of the Welfare and Institutions Code
34 is amended to read:

35 4629.7. (a) Notwithstanding any other law, all regional center
36 contracts or agreements with service providers in which rates are
37 determined through negotiations between the regional center and
38 the service provider shall expressly require that not more than the
39 amount of funds specified in paragraphs (1) to (3), inclusive, be
40 spent on administrative costs.

1 (1) For service providers ~~whose regional center agreements total~~
2 *who receive payments from one or more regional centers totaling*
3 *two million dollars (\$2,000,000) or more annually, annually from*
4 *those regional centers, 15 percent of regional center funds.*

5 (2) For service providers ~~whose regional center agreements total~~
6 *who receive payments from one or more regional centers totaling*
7 *less than two million dollars (\$2,000,000), but more than one*
8 ~~*million dollars (\$1,000,000), annually, 17.5 five hundred thousand*~~
9 *dollars (\$500,000), annually from those regional centers, 20*
10 *percent of regional center funds.*

11 (3) For service providers ~~whose regional center agreements total~~
12 ~~*one million dollars (\$1,000,000) or less, annually, 20*~~ *who receive*
13 *payments from one or more regional centers totaling five hundred*
14 *thousand dollars or less annually from those regional centers, 25*
15 *percent of regional center funds.*

16 (b) For purposes of this subdivision, direct service expenditures
17 are those costs immediately associated with the services to
18 consumers being offered by the provider. Funds spent on direct
19 services shall not include any administrative costs. Administrative
20 costs include, but are not limited to, any of the following:

21 (1) Salaries, wages, and employee benefits for managerial
22 personnel whose primary purpose is the administrative management
23 of the entity, including, but not limited to, directors and chief
24 executive officers.

25 (2) Salaries, wages, and benefits of employees who perform
26 administrative functions, including, but not limited to, payroll
27 management, personnel functions, accounting, budgeting, and
28 facility management.

29 (3) Facility and occupancy costs, directly associated with
30 administrative functions.

31 (4) Maintenance and repair.

32 (5) Data processing and computer support services.

33 (6) Contract and procurement activities, except those provided
34 by a direct service employee.

35 (7) Training directly associated with administrative functions.

36 (8) Travel directly associated with administrative functions.

37 (9) Licenses directly associated with administrative functions.

38 (10) Taxes.

39 (11) Interest.

40 (12) Property insurance.

1 (13) Personal liability insurance directly associated with
2 administrative functions.

3 (14) Depreciation.

4 (15) General expenses, including, but not limited to,
5 communication costs and supplies directly associated with
6 administrative functions.

7 (c) Notwithstanding any other law, all contracts between the
8 department and the regional centers shall require that not more
9 than 15 percent of all funds appropriated through the regional
10 center's operations budget shall be spent on administrative costs.
11 For purposes of this subdivision, "direct services" includes, but is
12 not limited to, service coordination, assessment and diagnosis,
13 monitoring of consumer services, quality assurance, and clinical
14 services. Funds spent on direct services shall not include any
15 administrative costs. For purposes of this subdivision,
16 administrative costs include, but are not limited to, any of the
17 following:

18 (1) Salaries, wages, and employee benefits for managerial
19 personnel whose primary purpose is the administrative management
20 of the regional center, including, but not limited to, directors and
21 chief executive officers.

22 (2) Salaries, wages, and benefits of employees who perform
23 administrative functions, including, but not limited to, payroll
24 management, personnel functions, accounting, budgeting, auditing,
25 and facility management.

26 (3) Facility and occupancy costs, directly associated with
27 administrative functions.

28 (4) Maintenance and repair.

29 (5) Data processing and computer support services.

30 (6) Contract and procurement activities, except those performed
31 by direct service employees.

32 (7) Training directly associated with administrative functions.

33 (8) Travel directly associated with administrative functions.

34 (9) Licenses directly associated with administrative functions.

35 (10) Taxes.

36 (11) Interest.

37 (12) Property insurance.

38 (13) Personal liability insurance directly associated with
39 administrative functions.

40 (14) Depreciation.

1 (15) General expenses, including, but not limited to,
2 communication costs and supplies directly associated with
3 administrative functions.

4 (d) Consistent with subdivision (a), service providers and
5 contractors, upon request, shall provide regional centers with access
6 to any books, documents, papers, computerized data, source
7 documents, consumer records, or other records pertaining to the
8 service providers' and contractors' negotiated rates.

9 SEC. 4. Section 4681.1 of the Welfare and Institutions Code
10 is amended to read:

11 4681.1. (a) The department shall adopt regulations that specify
12 rates for community care facilities serving persons with
13 developmental disabilities. The implementation of the regulations
14 shall be contingent upon an appropriation in the annual Budget
15 Act for this purpose. These rates shall be calculated on the basis
16 of a cost model designed by the department that ensures that
17 aggregate facility payments support the provision of services to
18 each person in accordance with his or her individual program plan
19 and applicable program requirements. The cost model shall reflect
20 cost elements that shall include, but are not limited to, all of the
21 following:

22 (1) "Basic living needs" include utilities, furnishings, food,
23 supplies, incidental transportation, housekeeping, personal care
24 items, and other items necessary to ensure a quality environment
25 for persons with developmental disabilities. The amount identified
26 for the basic living needs element of the rate shall be calculated
27 as the average projected cost of these items in an economically
28 and efficiently operated community care facility.

29 (2) "Direct care" includes salaries, wages, benefits, and other
30 expenses necessary to supervise or support the person's functioning
31 in the areas of self-care and daily living skills, physical
32 coordination mobility, and behavioral self-control, choice making,
33 and integration. The amount identified for direct care shall be
34 calculated as the average projected cost of providing the level of
35 service required to meet each person's functional needs in an
36 economically and efficiently operated community care facility.
37 The direct care portion of the rate shall reflect specific service
38 levels defined by the department on the basis of relative resident
39 need and the individual program plan.

(3) “Special services” include specialized training, treatment, supervision, or other services that a person’s individual program plan requires to be provided by the residential facility in addition to the direct care provided under paragraph (2). The amount identified for special services shall be calculated for each individual based on the additional services specified in the person’s individual program plan and the prevailing rates paid for similar services in the area. The special services portion of the rate shall reflect a negotiated agreement between the facility and the regional center in accordance with Section 4648.

(4) “Indirect costs” include managerial personnel, facility operation, maintenance and repair, other nondirect care, employee benefits, contracts, training, travel, licenses, taxes, interest, insurance, depreciation, and general administrative expenses. The amount identified for indirect costs shall be calculated as the average projected cost for these expenses in an economically and efficiently operated community care facility.

(5) “Property costs” include mortgages, leases, rent, taxes, capital or leasehold improvements, depreciation, and other expenses related to the physical structure. The amount identified for property costs shall be based on the fair rental value of a model facility that is adequately designed, constructed, and maintained to meet the needs of persons with developmental disabilities. The amount identified for property costs shall be calculated as the average projected fair rental value of an economically and efficiently operated community care facility.

(b) The cost model shall take into account factors that include, but are not limited to, all of the following:

(1) Facility size, as defined by the department on the basis of the number of facility beds licensed by the State Department of Social Services and vendorized by the regional center.

(2) Specific geographic areas, as defined by the department on the basis of cost of living and other pertinent economic indicators.

(3) Common levels of direct care, as defined by the department on the basis of services specific to an identifiable group of persons as determined through the individual program plan.

(4) Positive outcomes, as defined by the department on the basis of increased integration, independence, and productivity at the aggregate facility and individual consumer level.

1 (5) Owner-operated and staff-operated reimbursement, which
2 shall not differ for facilities that are required to comply with the
3 same program requirements.

4 (c) The rates established for individual community care facilities
5 serving persons with developmental disabilities shall reflect all of
6 the model cost elements and rate development factors described
7 in this section. The cost model design shall include a process for
8 updating the cost model elements that address variables, including,
9 but not limited to, all of the following:

- 10 (1) Economic trends in California.
11 (2) New state or federal program requirements.
12 (3) Changes in the state or federal minimum wage.
13 (4) Increases in fees, taxes, or other business costs.
14 (5) Increases in federal supplemental security income/state
15 supplementary program for the aged, blind, and disabled payments.
16 (d) Rates established for persons with developmental disabilities
17 who are also dually diagnosed with a mental health disorder may
18 be fixed at a higher rate. The department shall work with the State
19 Department of Health Care Services to establish criteria upon
20 which higher rates may be fixed pursuant to this subdivision. The
21 higher rate for persons with developmental disabilities who are
22 also dually diagnosed with a mental health disorder may be paid
23 when requested by the director of the regional center and approved
24 by the Director of Developmental Services.

25 (e) By January 1, 2001, the department shall prepare proposed
26 regulations to implement the changes outlined in this section. The
27 department may use a private firm to assist in the development of
28 these changes and shall confer with consumers, providers, and
29 other interested parties concerning the proposed regulations. By
30 May 15, 2001, and each year thereafter, the department shall
31 provide the Legislature with annual community care facility rates,
32 including any draft amendments to the regulations as required. By
33 July 1, 2001, and each year thereafter, contingent upon an
34 appropriation in the annual Budget Act for this purpose, the
35 department shall adopt emergency regulations that establish the
36 annual rates for community care facilities serving persons with
37 developmental disabilities for each fiscal year.

38 (f) During the first year of operation under the revised rate
39 model, individual facilities shall be held harmless for any reduction

1 in aggregate facility payments caused solely by the change in
2 reimbursement methodology.

3 (g) (1) The department shall ensure that rates established for
4 community care facilities serving persons with developmental
5 disabilities permit the viability of those facilities, including, but
6 not limited to, four-bed facilities, by establishing different rates
7 for each facility size, as determined by the number of beds
8 available, that reflect reasonable differences in the cost structure
9 of facilities with differing numbers of beds.

10 (2) The department shall adopt emergency regulations by July
11 1, 2016, to implement this subdivision. The adoption, amendment,
12 repeal, or readoption of a regulation authorized by this paragraph
13 is deemed to be necessary for the immediate preservation of the
14 public peace, health and safety, or general welfare, for purposes
15 of Sections 11346.1 and 11349.6 of the Government Code, and
16 the department is hereby exempted from the requirement that it
17 describe specific facts showing the need for immediate action.

18 SEC. 5. Section 4681.2 is added to the Welfare and Institutions
19 Code, to read:

20 4681.2. (a) Notwithstanding any other law, commencing July
21 1, 2015, the department shall increase the rates set for community
22 care facilities serving persons with developmental disabilities by
23 5 10 percent above the levels that otherwise would have been in
24 effect as of July 1, 2015, ~~and, commencing 2015. Commencing~~
25 July 1, 2016, *except as specified in subdivision (b), the department*
26 *shall increase those rates by 5 percent above the level in effect on*
27 *a percentage equal to the percentage of any increase in the*
28 *California Consumer Price Index since July 1, 2015.*

29 (b) *The rate increase described in subdivision (a) that is*
30 *required to commence July 1, 2016, shall only be made if the*
31 *Budget Act of 2016 does not implement alternative rate increases*
32 *or rate reforms based on the plan required by Section 4519.8.*

33 ~~(b)~~

34 (c) The funding increases authorized in this section shall only
35 be made if the ~~percentage increase would not result in a reduction~~
36 ~~to the amount of federal matching funds available does not change.~~
37 ~~for these services.~~

38 SEC. 6. Section 4681.6 of the Welfare and Institutions Code
39 is amended to read:

1 4681.6. (a) Notwithstanding any other law, commencing July
2 1, 2008:

3 (1) A regional center shall not pay an existing residential service
4 provider, for services where rates are determined through a
5 negotiation between the regional center and the provider, a rate
6 higher than the rate in effect on June 30, 2008, unless the increase
7 is required by a contract between the regional center and the vendor
8 that is in effect on June 30, 2008, or the regional center
9 demonstrates that the approval is necessary to protect the
10 consumer's health or safety and the department has granted prior
11 written authorization.

12 (2) A regional center shall not negotiate a rate with a new
13 residential service provider, for services where rates are determined
14 through a negotiation between the regional center and the provider,
15 that is higher than the regional center's median rate for the same
16 service code and unit of service, or the statewide median rate for
17 the same service code and unit of service, whichever is lower. The
18 unit of service designation shall conform with an existing regional
19 center designation or, if none exists, a designation used to calculate
20 the statewide median rate for the same service. The regional center
21 shall annually certify to the department its median rate for each
22 negotiated rate service code, by designated unit of service. This
23 certification shall be subject to verification through the
24 department's biennial fiscal audit of the regional center.

25 (b) Notwithstanding subdivision (a), commencing July 1, 2014,
26 regional centers may negotiate a rate adjustment with residential
27 service providers regarding rates that are otherwise restricted
28 pursuant to subdivision (a), if the adjustment is necessary in order
29 to pay employees no less than the minimum wage as established
30 by Section 1182.12 of the Labor Code, as amended by Chapter
31 351 of the Statutes of 2013, and only for the purpose of adjusting
32 payroll costs associated with the minimum wage increase. The
33 rate adjustment shall be specific to the unit of service designation
34 that is affected by the increased minimum wage, shall be specific
35 to payroll costs associated with any increase necessary to adjust
36 employee pay only to the extent necessary to bring pay into
37 compliance with the increased state minimum wage, and shall not
38 be used as a general wage enhancement for employees paid above
39 the minimum wage. Regional centers shall maintain documentation

1 on the process to determine, and the rationale for granting, any
2 rate adjustment associated with the minimum wage increase.

3 (c) (1) Notwithstanding subdivision (a), commencing July 1,
4 2015, regional centers shall increase the rates paid to residential
5 service providers, for services where rates are determined through
6 a negotiation between the regional center and the provider, by ~~5~~
7 10 percent above the levels that otherwise would have been in
8 effect on July 1, ~~2015, and, commencing 2015. Commencing July~~
9 1, 2016, *except as specified in paragraph (2), the regional centers*
10 *shall increase those rates by 5 percent above the level in effect on*
11 *a percentage equal to the percentage of any increase in the*
12 *California Consumer Price Index since July 1, 2015.*

13 (2) *The rate increase described in paragraph (1) that is required*
14 *to commence July 1, 2016, shall only be made if the Budget Act*
15 *of 2016 does not implement alternative rate increases or rate*
16 *reforms based on the plan required by Section 4519.8.*

17 ~~(2)~~
18 (3) The funding increases authorized in this subdivision shall
19 only be made if the ~~percentage~~ *increase would not result in a*
20 *reduction to the amount of federal matching funds available—does*
21 *not change for these services.*

22 (d) For purposes of this section, “residential service provider”
23 includes Adult Residential Facilities for Persons with Special
24 Health Care Needs, as described in Section 4684.50.

25 (e) This section shall not apply to those services for which rates
26 are determined by the State Department of Health Care Services,
27 or the State Department of Developmental Services, or are usual
28 and customary.

29 SEC. 7. Section 4689.8 of the Welfare and Institutions Code
30 is amended to read:

31 4689.8. (a) Notwithstanding any other law, commencing July
32 1, 2008:

33 (1) A regional center shall not pay an existing supported living
34 service provider, for services where rates are determined through
35 a negotiation between the regional center and the provider, a rate
36 higher than the rate in effect on June 30, 2008, unless the increase
37 is required by a contract between the regional center and the vendor
38 that is in effect on June 30, 2008, or the regional center
39 demonstrates that the approval is necessary to protect the

consumer's health or safety and the department has granted prior written authorization.

(2) A regional center shall not negotiate a rate with a new supported living service provider, for services where rates are determined through a negotiation between the regional center and the provider, that is higher than the regional center's median rate for the same service code and unit of service, or the statewide median rate for the same service code and unit of service, whichever is lower. The unit of service designation shall conform with an existing regional center designation or, if none exists, a designation used to calculate the statewide median rate for the same service. The regional center shall annually certify to the State Department of Developmental Services its median rate for each negotiated rate service code, by designated unit of service. This certification shall be subject to verification through the department's biennial fiscal audit of the regional center.

(b) (1) Notwithstanding subdivision (a), commencing July 1, 2015, regional centers shall increase the rates paid to supported living service providers, for services where rates are determined through a negotiation between the regional center and the provider, by ~~5~~ 10 percent above the levels that otherwise would have been in effect on July 1, ~~2015~~, and, ~~commencing~~ 2015. *Commencing July 1, 2016, except as specified in paragraph (2), the regional centers shall increase those rates by 5 percent above the level in effect on a percentage equal to the percentage of any increase in the California Consumer Price Index since July 1, 2015.*

(2) *The rate increase described in paragraph (1) that is required to commence July 1, 2016, shall only be made if the Budget Act of 2016 does not implement alternative rate increases or rate reforms based on the plan required by Section 4519.8.*

~~(2)~~

(3) The funding increases authorized in this subdivision shall only be made if the ~~percentage increase would not result in a reduction to the amount of federal matching funds available~~ ~~does not change for these services.~~

SEC. 8. Section 4690.7 is added to the Welfare and Institutions Code, to read:

4690.7. (a) Notwithstanding any other law, commencing July 1, 2015, the department shall increase the rates set for nonresidential service providers by ~~5~~ 10 percent above the levels

1 that otherwise would have been in effect on July 1, 2015, and,
2 commencing 2015. Commencing July 1, 2016, except as specified
3 in subdivision (b), the department shall increase those rates by 5
4 percent above the level in effect on a percentage equal to the
5 percentage of any increase in the California Consumer Price Index
6 since July 1, 2015.

7 (b) The rate increase described in subdivision (a) that is
8 required to commence July 1, 2016, shall only be made if the
9 Budget Act of 2016 does not implement alternative rate increases
10 or rate reforms based on the plan required by Section 4519.8.

11 (b)
12 (c) The funding increases authorized in this section shall only
13 be made if the percentage increase would not result in a reduction
14 to the amount of federal matching funds available does not change.
15 for these services.

16 SEC. 9. Section 4691.9 of the Welfare and Institutions Code
17 is amended to read:

18 4691.9. (a) Notwithstanding any other law, commencing July
19 1, 2008:

20 (1) A regional center shall not pay an existing service provider,
21 for services where rates are determined through a negotiation
22 between the regional center and the provider, a rate higher than
23 the rate in effect on June 30, 2008, unless the increase is required
24 by a contract between the regional center and the vendor that is in
25 effect on June 30, 2008, or the regional center demonstrates that
26 the approval is necessary to protect the consumer's health or safety
27 and the department has granted prior written authorization.

28 (2) A regional center shall not negotiate a rate with a new service
29 provider, for services where rates are determined through a
30 negotiation between the regional center and the provider, that is
31 higher than the regional center's median rate for the same service
32 code and unit of service, or the statewide median rate for the same
33 service code and unit of service, whichever is lower. The unit of
34 service designation shall conform with an existing regional center
35 designation or, if none exists, a designation used to calculate the
36 statewide median rate for the same service. The regional center
37 shall annually certify to the State Department of Developmental
38 Services its median rate for each negotiated rate service code, by
39 designated unit of service. This certification shall be subject to

1 verification through the department's biennial fiscal audit of the
2 regional center.

3 (b) Notwithstanding subdivision (a), commencing July 1, 2014,
4 regional centers may negotiate a rate adjustment with providers
5 regarding rates if the adjustment is necessary in order to pay
6 employees no less than the minimum wage as established by
7 Section 1182.12 of the Labor Code, as amended by Chapter 351
8 of the Statutes of 2013, and only for the purpose of adjusting
9 payroll costs associated with the minimum wage increase. The
10 rate adjustment shall be specific to the unit of service designation
11 that is affected by the increased minimum wage, shall be specific
12 to payroll costs associated with any increase necessary to adjust
13 employee pay only to the extent necessary to bring pay into
14 compliance with the increased state minimum wage, and shall not
15 be used as a general wage enhancement for employees paid above
16 the increased minimum wage. Regional centers shall maintain
17 documentation on the process to determine, and the rationale for
18 granting, any rate adjustment associated with the minimum wage
19 increase.

20 (c) Notwithstanding any other law, commencing January 1,
21 2015, rates for personal assistance and supported living services
22 in effect on December 31, 2014, shall be increased by 5.82 percent,
23 subject to funds specifically appropriated for this increase for costs
24 due to changes in federal regulations implementing the federal
25 Fair Labor Standards Act of 1938 (29 U.S.C. Sec. 201 et seq.).
26 The increase shall be applied as a percentage, and the percentage
27 shall be the same for all applicable providers. As used in this
28 subdivision, both of the following definitions shall apply:

29 (1) "Personal assistance" is limited only to those services
30 provided by vendors classified by the regional center as personal
31 assistance providers, pursuant to the miscellaneous services
32 provisions contained in Title 17 of the California Code of
33 Regulations.

34 (2) "Supported living services" are limited only to those services
35 defined as supported living services in Title 17 of the California
36 Code of Regulations.

37 (d) (1) Notwithstanding subdivision (a), commencing July 1,
38 2015, regional centers shall increase the rates paid to service
39 providers, for services where rates are determined through a
40 negotiation between the regional center and the provider, by ~~5~~ 10

1 percent above the levels that otherwise would have been in effect
2 on July 1, ~~2015, and, commencing~~ 2015. *Commencing* July 1,
3 2016, *except as specified in paragraph (2)*, the regional centers
4 shall increase those rates by ~~5 percent above the level in effect on~~
5 *a percentage equal to the percentage of any increase in the*
6 *California Consumer Price Index since July 1, 2015.*

7 (2) *The rate increase described in paragraph (1) that is required*
8 *to commence July 1, 2016, shall only be made if the Budget Act*
9 *of 2016 does not implement alternative rate increases or rate*
10 *reforms based on the plan required by Section 4519.8.*

11 ~~(2)~~
12 (3) The funding increases authorized in this subdivision shall
13 only be made if the ~~percentage increase would not result in a~~
14 *reduction to the amount of federal matching funds available* ~~does~~
15 *not change for these services.*

16 (e) This section shall not apply to those services for which rates
17 are determined by the State Department of Health Care Services,
18 or the State Department of Developmental Services, or are usual
19 and customary.

20 SEC. 10. Section 4793 is added to the Welfare and Institutions
21 Code, to read:

22 4793. (a) The department shall increase the funding provided
23 to a regional center for the regional center's operating budget as
24 follows:

25 (1) ~~Beginning January 1, 2016, July 1, 2015,~~ increase the amount
26 paid under the core staffing formula by ~~5~~ 10 percent.

27 (2) Beginning July 1, 2016, increase the amount paid under the
28 core staffing formula by ~~10 percent.~~ *percent, plus a percentage*
29 *equal to the percentage of any increase in the California Consumer*
30 *Price Index since July 1, 2015.*

31 (b) *The rate increase described in paragraph (2) of subdivision*
32 *(a) that is required to commence July 1, 2016, shall only be made*
33 *if the Budget Act of 2016 does not implement alternative rate*
34 *increases or regional center funding reforms based on the plan*
35 *required by Section 4519.8.*

36 ~~(b)~~
37 (c) The funding increases authorized in this section shall only
38 be made if the ~~percentage increase would not result in a reduction~~
39 *to the amount of federal matching funds available* ~~does not change.~~
40 *for these services.*

SEC. 11. Section 4794 is added to the Welfare and Institutions Code, to read:

4794. (a) The department shall increase the funding provided to a regional center to enable the regional center and regional center's purchase-of-service vendors to fund all of the following costs associated with minimum wage requirements:

(a)

(1) The costs necessary to comply with a statewide minimum wage requirement.

(b)

(2) The costs necessary to comply with minimum wage requirements enacted by local governments that exceed the statewide minimum wage.

(c)

(3) The costs necessary to increase compensation for exempt, salaried employees to comply with wage orders issued by the Industrial Welfare Commission or any other state regulatory agency.

(d)

(4) Any other wage adjustments that vendors are required to make in response to minimum wage increases mandated by state or federal statutes, regulations, or other authorities.

(b) *The funding increases required by this section shall be in addition to the funding increases required by Sections 4681.2, 4681.6, 4689.8, 4690.7, 4691.9, 4793, and 4860, as those sections were added or amended by the act that added this section.*

SEC. 12. Section 4860 of the Welfare and Institutions Code is amended to read:

4860. (a) (1) Except as provided in subdivision (f), the hourly rate for supported employment services provided to consumers receiving individualized services shall be thirty-four dollars and twenty-four cents (\$34.24).

(2) Job coach hours spent in travel to consumer worksites may be reimbursable for individualized services only when the job coach travels from the vendor's headquarters to the consumer's worksite or from one consumer's worksite to another, and only when the travel is one way.

(b) Except as provided in subdivision (f), the hourly rate for group services shall be thirty-four dollars and twenty-four cents (\$34.24) regardless of the number of consumers served in the

1 group. Consumers in a group shall be scheduled to start and end
2 work at the same time, unless an exception that takes into
3 consideration the consumer's compensated work schedule is
4 approved in advance by the regional center. The department, in
5 consultation with stakeholders, shall adopt regulations to define
6 the appropriate grounds for granting these exceptions. When the
7 number of consumers in a supported employment placement group
8 drops to fewer than the minimum required in subdivision (r) of
9 Section 4851, the regional center may terminate funding for the
10 group services in that group, unless, within 90 days, the program
11 provider adds one or more regional centers, or Department of
12 Rehabilitation-funded supported employment consumers to the
13 group.

14 (c) Job coaching hours for group services shall be allocated on
15 a prorated basis between a regional center and the Department of
16 Rehabilitation when regional center and Department of
17 Rehabilitation consumers are served in the same group.

18 (d) When Section 4855 applies, fees shall be authorized for the
19 following:

20 (1) A four-hundred-dollar (\$400) fee shall be paid to the program
21 provider upon intake of a consumer into a supported employment
22 program. No fee shall be paid if that consumer completed a
23 supported employment intake process with that same supported
24 employment program within the previous 12 months.

25 (2) An eight-hundred-dollar (\$800) fee shall be paid upon
26 placement of a consumer in an integrated job, except that no fee
27 shall be paid if that consumer is placed with another consumer or
28 consumers assigned to the same job coach during the same hours
29 of employment.

30 (3) An eight-hundred-dollar (\$800) fee shall be paid after a
31 90-day retention of a consumer in a job, except that no fee shall
32 be paid if that consumer has been placed with another consumer
33 or consumers, assigned to the same job coach during the same
34 hours of employment.

35 (e) Notwithstanding paragraph (4) of subdivision (a) of Section
36 4648, the regional center shall pay the supported employment
37 program rates established by this section.

38 (f) (1) Commencing July 1, 2016, the rates established by
39 subdivisions (a) and (b) shall be thirty-seven dollars and sixty-six
40 cents (\$37.66).

1 ~~(2) Commencing July 1, 2017, the rates established by~~
2 ~~subdivisions (a) and (b) shall be forty-one dollars and forty-three~~
3 ~~cents (\$41.43).~~

4 *(2) The rate increase described in paragraph (1), shall only be*
5 *made if the Budget Act of 2016 does not implement alternative*
6 *rate increases or regional center funding reforms based on the*
7 *plan required by Section 4519.8.*

8 SEC. 13. The Legislature declares that the changes made by
9 this act are not intended to result in the substantial impairment of
10 any contract. To the extent any contract would be substantially
11 impaired as a result of the application of any change made by this
12 act, it is the intent of the Legislature that the change apply only to
13 contracts renewed or entered into on or after January 1, 2016.